A man with glasses and a dark suit stands with his arms crossed in front of the NASDAQ sign at night. The sign is illuminated in blue and is part of a curved structure. The background shows a building with large windows reflecting city lights and an American flag.


The Power of an Idea

A man with dark hair and a light beard, wearing a blue long-sleeved shirt, stands with his arms crossed. He is positioned in the center of the frame against a blurred background of a blue sky and a tall, dark, pointed structure, possibly a tower or monument. The overall color palette is dominated by shades of blue and teal.

We recognize the dreamer



and the pragmatist.



We are the democratization of capitalism



and the desire to move mankind forward.



We are the new establishment, the better idea,



the new economic landscape.



We are a reflection of how






the world works and lives.



We are an energizing force



at the center of the global economy.



We are Nasdaq.

*L-R: Monique T. McNamara, Director, Marketing Communications; Richard Gonzalez, Senior Vice President, MarketSite Technical Services; Mandana Chaffa, Managing Director, Corporate Client Group; Wick Simmons, Chairman and Chief Executive Officer; Riina Friedrich, Manager, MarketSite Events; Ronak Patel, Office Manager, Nasdaq MarketSite*

Fellow Shareholders:

Great ideas are inherently powerful. Each of Nasdaq's more than 4,000 listed companies derives its power from a core idea—a better way to fill a need, solve a problem or perform a task more efficiently. The powerful idea driving Nasdaq® itself is that by operating the world's largest, most efficient and transparent stock market, we can represent and amplify the collective energies of our companies, which include many of the most vibrant, creative and essential companies on earth.

Nasdaq companies range from household names like Microsoft, Intel, Amgen and Starbucks to thousands of less well-known companies aspiring to be the household names of tomorrow. At the same time, the very thought of Nasdaq helps to energize untold numbers of entrepreneurs and private businesses that dream of going public one day.

#### "CROWN JEWEL"

President Jiang Zemin of the People's Republic of China called Nasdaq "the crown jewel of all that is great about America." He and other foreign leaders view Nasdaq as the key to the capital formation model they seek to spur innovation, prosperity and growth in their own countries. As, indeed, we are.

Like the U.S. economy itself, Nasdaq is diffuse, decentralized and open. At the heart of our stock market model is a commitment to open electronic architecture. By design, our technology and market platform are accessible—and exportable—to any qualified market center or participant. In effect, Nasdaq is a network of networks. It consists of broker-dealers, traders, electronic communications networks and various order-routing systems—all competing to see which of them can best serve the investor. Our mission is to help each market center enhance its customers' experience.

Our open architecture accommodates a virtually limitless number of market participants, while also giving us the flexibility to make continuous improvements and to set new standards for speed, efficiency and market transparency. At the same time, Nasdaq's fault-tolerant design provides the ultimate in dependability, with 99.98% uptime since 1982. Our electronic systems are also highly secure. They are geographically dispersed and completely and intentionally redundant—with back-up computer banks, telephone systems and power supplies—even back-up water supplies for cooling systems.

#### ADHERENCE TO PRINCIPLES

Nasdaq has grown over the years by embracing change, by welcoming competition, by adhering to our principles of openness, inclusiveness and fairness—and by adamantly refusing to become a club for privileged insiders.

Although Nasdaq places no significant barriers in the way of our companies' listing elsewhere, more than 99% of them remained loyal to Nasdaq in 2001, while 145 more joined our ranks. We believe such loyalty reflects our inherent reputation as the premier stock market for dynamic, innovative companies. Yet we cannot rest upon these laurels. The relentless pace of change requires that we constantly improve Nasdaq in order to remain the leader. We believe we are improving the quality of our marketplace faster and more comprehensively than any other stock market—as the imminent installation of our next generation trading platform, SuperMontage<sup>SM</sup>, would attest.

Meanwhile, we are pursuing a path of independence from our founder and former parent, the National Association of Securities Dealers (NASD®). We want to eliminate perceived conflicts of interest and gain access to the capital that Nasdaq itself needs to remain at the cutting edge. Nasdaq continues to separate from the NASD and, in 2001 and 2002, bought all of the NASD's shares of Nasdaq common stock, except for common stock underlying warrants issued by the NASD in our private placements. As required by the Securities and

Exchange Commission (SEC), the NASD will retain voting control over Nasdaq until the SEC approves Nasdaq's status as an independent, self-regulating exchange. We hope to gain this approval from the SEC in 2002. Attaining self-regulatory status is an important step in positioning Nasdaq for a possible public offering that would make us the nation's first publicly traded stock market. Nasdaq also secured additional investment capital in 2001. Hellman & Friedman, a well-known private equity firm, recognized Nasdaq's growth potential and purchased \$240 million of Nasdaq's subordinated notes (convertible at any time into 12 million shares of Nasdaq's common stock). Proceeds from the offering were used to purchase Nasdaq's common shares from the NASD. We are pleased to welcome their chairman, Warren Hellman, to our Board of Directors.

#### CHALLENGING ENVIRONMENT

The market environment in 2001 was, of course, extremely challenging, with the Nasdaq Composite® Index falling by 21% and the number of initial public offerings decreasing by 84% from 2000. Nasdaq trade volume also declined in 2001—but by less than 6%—while yearly share volume saw an increase compared to 2000, and set a new record.

Despite the weak overall economic environment, we continued to invest in critical areas and lay the groundwork for Nasdaq's future growth initiatives. We focused on creating an independent, more efficient and street-smart company by re-examining the fundamentals of our business. We made decisions designed to create the right operating structure—a structure that is reflective of both our new role as an independent company and the external market environment. In 2001, our revenue increased 2.9% to \$857.2 million, compared to \$832.7 million at year-end 2000. Net income increased to \$40.5 million vs. \$23.3 million for full year 2000. Diluted earnings per share were \$0.35 in 2001 vs. \$0.21 in 2000. The results for both years reflect the change in revenue recognition procedures set forth in the SEC's Staff Accounting Bulletin (SAB) No. 101. Our full year EBITDA for 2001 was \$153.5 million compared to \$261.7 million in 2000. This decrease reflects the softening markets as well as the adjustments associated with Nasdaq's separation from the NASD.

We achieved these results by diligently examining our cost base. We also implemented several key initiatives to support Nasdaq's future growth—and to improve the market for investors, market participants and listed companies. During 2001, we transitioned to decimal pricing with no disruption to the marketplace, leading to a significant reduction in spreads. We launched SuperSoes<sup>SM</sup>—a much-improved system for automatic execution of large buy and sell orders. And in late 2001, we introduced the new Primex Auction System<sup>SM</sup>, an electronic alternative to auction markets that offers enhanced opportunities for price improvement. In addition, we implemented a number of cost-cutting initiatives enabling the company to re-allocate its resources in support of future growth. We will continue to monitor our cost base and will be pro-active in establishing the optimal operating structure.

#### STRATEGIC INITIATIVES

This summer, we will introduce SuperMontage, Nasdaq's next-generation market platform. SuperMontage is a critically important strategic initiative for us, representing years of effort to achieve dramatic enhancements in transparency, access to liquidity and trading environment stability. This fully integrated order display and execution system will bring new efficiency, speed and depth of information to the trading process, while giving traders multiple execution options and a high level of confidence that they are achieving best execution in their transactions. Perhaps most important, SuperMontage will enable buyers and sellers to view other investors' interests at five price levels instead of only best price. In addition, market makers and electronic communications networks (ECNs) will have the option of entering buy and sell interests anonymously, thus reducing the potential market impact of orders entered by the largest investors. The introduction of SuperMontage will also allow us to significantly upgrade our data offerings, consistent with our determination to remain the most transparent stock market in the world. Market data is what empowers investors to make informed decisions—and is critical to the efficiency and fairness of any securities market.

Another major innovation in 2002 will be our new Market Intelligence Center<sup>SM</sup>, a telephone and Web-based suite of services designed to offer our listed companies enhanced access to intelligence about their stocks' behavior in the market. In addition, we will soon unveil a major upgrade of Nasdaq Online<sup>SM</sup>, which offers comprehensive market information designed to help companies manage their relationships with analysts, market makers and institutional investors. In 2001, Nasdaq Online was ranked first in a National Investor Relations Institute (NIRI) survey of its members' favorite investor relations Web sites.

Nasdaq is also developing new financial products and instruments—including exchange-traded funds, additional structured products and financial futures that create new choices for investors and give unprecedented support to listed companies' stocks. The Nasdaq-100 Index Tracking Stock<sup>SM</sup> (QQQ), introduced in 1999, has grown to become the most heavily traded stock in the U.S. in terms of dollar volume and number two in share volume—and Nasdaq is developing a similar tracking stock for the Nasdaq Composite Index.

#### GLOBALIZATION

With technology and deregulation speeding the pace of global securities trading and processing, globalizing Nasdaq is an important part of our vision. The open architecture of our trading platform has played a critical role in democratizing equity markets in the U.S., where some 50% of the population owns stocks, directly or indirectly, compared with only 18% in Western Europe and 15% in Japan. Our long-term goal is to help people around the world gain greater access to equity investing by building a highly efficient, globally integrated network. We made important progress toward this goal in 2001 by opening Nasdaq Europe<sup>SM</sup> in June 2001. We are confident that it will fast become a major link between companies and capital in both the U.S. and Europe. In China, we opened a representative office in Shanghai—primarily for educational purposes. We also opened an office in Bangalore, India, both to enhance service for companies already listed on Nasdaq and to help other Indian companies access global capital. Nasdaq Japan<sup>SM</sup>, in its first full year, captured nearly 30% of Japan's new public offerings, despite that country's ongoing economic challenges.

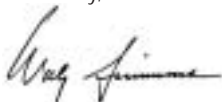
#### IN TRIBUTE

Looking back at 2001, the date we cannot forget is September 11th. The multiple attacks aimed at highly visible symbols of American preeminence in New York and Washington were meant to tear us apart but had the opposite effect instead. While we continue to mourn the loss of friends, family and colleagues, we have taken comfort in the resiliency of the American spirit—and our ability to unite in the face of adversity. The nation quickly demonstrated that our fundamental strengths reside not in buildings, but in the hearts, minds and energies of people everywhere. The same is true of Nasdaq.

#### THE ROAD AHEAD

While we are extremely pleased with Nasdaq's accomplishments to date, our company will remain a work-in-progress, powered by the idea of democratic capitalism—an idea that holds that the best path to growth, opportunity and a better way of life is through an entrepreneurial, market-based system. In pursuit of that idea and ideal, we will continue to strive for new standards of fairness, openness and efficiency—and doggedly pursue new ways to reinvent and revitalize our market. We realize that to remain the market of choice, we must build value for our shareholders, while creating opportunity for our listed companies and market participants. While we have much work left to do, I believe we're off to a good start. I'm confident that as a company—and as a stock market—we have the talent, energy and resources to take Nasdaq into what promises to be an exciting new era.

Sincerely,



Hardwick Simmons  
*Chairman and Chief Executive Officer*

*Nasdaq's listed companies are the very heart of our business. They are the innovators, the inventors, the thinkers...and the doers. They embody what we've come to know as the new economic landscape—companies transforming the way we live, work and play. Together, they reflect the full breadth, variety and vitality of what's humanly possible.*

*In 2001 Nasdaq had the greatest dollar and share volume* **The Power of Partnership** *of all U.S. markets.....Nasdaq lists more companies than any.....*



*L-R: Bo Kim, Senior Director, Corporate Client Group; Bob Power, Senior Vice President, Corporate Client Group; David Weild, Vice Chairman and Executive Vice President, Corporate Client Group; Vi Lilly, Managing Director, Corporate Client Group*



We take enormous pride in listing more than 4,000 companies—more than any other U.S. equities market. Many are names that have come to be synonymous with growth and innovation. Others are younger, less well-known companies whose collective vision and energies are poised to shape the world of tomorrow.

Key to the Nasdaq culture is the cultivation of a strong and highly effective partnership with our listed companies. Not only do we give them access to capital, visibility and an exceptional portfolio of services, we also share their commitment to moving the world forward. It is our goal as much as theirs to help roll out the next great idea, to help improve the way people live and work, and to foster growth and innovation in the U.S. and throughout the world.

Regardless of companies' economic sectors, Nasdaq can open the door to the capital needed to implement their strategies and fulfill their visions. Beyond that, we lend the strength of our brand—a *brand associated*

..... other U.S. equities market.....2001 market value of Nasdaq listings neared \$2.9 trillion.....Nasdaq achieves market depth averaging 14 Market Makers per stock .....

*with growth, innovation and all the possibility of the American dream*—to help them build additional visibility. And as an integral part of our partnership with our listed companies, we offer a wide range of educational and informational products and services that provide timely market information and guidance on being public.

#### RAPID, CONVENIENT RESPONSE

In 2002 Nasdaq will unveil a new Market Intelligence Center designed to significantly enhance the way we deliver information and services to listed companies. Staffed by a dedicated group of Nasdaq market experts, and operating over extended hours, the Market Intelligence Center will be a one-stop shop for market information. Through an integrated suite of telephone and Web-based services, companies will be able to call and quickly access information on their stocks, including company-specific trading insights, market intelligence and news of important market events.

#### CUSTOMIZED MARKET KNOWLEDGE

When companies need in-depth market information on their stock and others, they turn to Nasdaq Online, our proprietary Web site designed exclusively for executives at Nasdaq-listed firms. This single, integrated portal provides companies with access to key information on institutional ownership, research coverage, performance ratios and more—and was rated first in a 2001 survey by the National Investor Relations Institute of its members' favorite Web sites. In early 2002 we will introduce a major upgrade of Nasdaq Online, including improved access speed and personalization, plus the addition of streaming data.

#### GATEWAY TO THE PUBLIC

Our consumer Web site, [nasdaq.com](http://nasdaq.com), was built to help listed companies generate visibility with both existing and potential investors. Averaging 7.5 million page views each weekday, the site offers comprehensive data for securities listed on all major global exchanges, as well as for U.S. equity options and mutual funds. We strongly

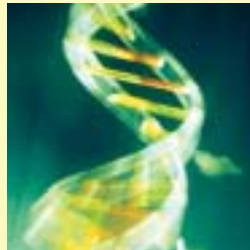
encourage listed companies to establish direct links between nasdaq.com and their corporate Web sites. Doing so can help them build further investor awareness and add value to their own investor relations efforts.

#### NASDAQ MARKETSITE

The Nasdaq MarketSite<sup>SM</sup>, located in New York City's Times Square, soars seven stories high—and its one-acre outdoor video screen is the world's largest. Built to increase global visibility for our listed companies, the MarketSite has become an American icon. Inside, television reporters from CNBC, CNNfn, Bloomberg, Yahoo! Finance Vision, CBS MarketWatch, TV Tokyo, German TV and other media broadcast important market events and news more than 150 times daily.

.....Nasdaq's fault-tolerant design provides the ultimate in dependability—with 99.98% uptime since 1982.....Nasdaq weighted-average spreads have decreased 50% .....

*Nasdaq-listed companies reflect the breadth of the new economic landscape in all sectors.*



#### HEALTH CARE

*By working to deliver radical new breakthroughs, today's health care companies are revolutionizing modern medical care—with the goal of improving the quality of life for people everywhere. Roughly 82% of all U.S. publicly traded biotechnology and health care stocks list on Nasdaq, including such leading innovators as Amgen, MedImmune, Millennium Pharmaceuticals and Human Genome Sciences.*



#### TELECOMMUNICATIONS SERVICES

*Companies in the telecommunications and media sectors continue to innovate and refocus on core business disciplines. Approximately 67% of today's leading U.S. publicly traded telecommunications companies list on Nasdaq, as do many of today's top media companies, including Comcast, WorldCom, EchoStar, Nextel and Ericsson.*

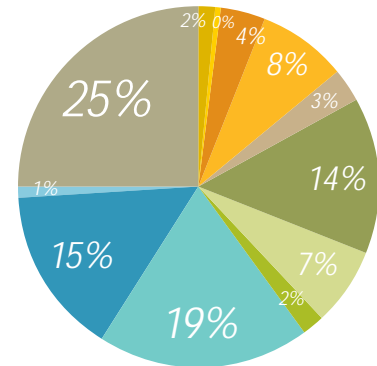


#### CONSUMER & RETAIL BRANDS

*By improving service, introducing new products and using the Internet more effectively, consumer and retail business leaders are changing the way people shop, travel and purchase services and entertainment. Top consumer and retail brands listed on Nasdaq include Bed, Bath & Beyond, Columbia Sportswear, Kelly Services, Staples and Costco.*

## Nasdaq-Listed Companies by Industry

Source: FactSet Research Systems, Inc.  
As of 12/31/01



.....since decimalization.....Independent research confirms Nasdaq has highest investor awareness in the U.S. and U.K.....Peak share volume for a single day in 2001.....



### INFORMATION TECHNOLOGY

No market supports technology companies like Nasdaq. Nasdaq's U.S. technology listings include 77% of all computer hardware and peripherals companies; 85% of computer software and data processing companies; 96% of computer networking companies; and 87% of semiconductor companies. The many high-tech names that have started and stayed with Nasdaq include Microsoft, Intel, Dell Computer Corporation, Sun Microsystems and Cisco Systems.



### MANUFACTURING & MATERIAL GOODS

The world's most successful manufacturing companies are nimbly responding to global economic challenges by streamlining and positioning themselves for accelerated profitability—as well as by finding new opportunities to add value for their customers. These sectors are represented on Nasdaq by companies like Herman Miller, Gentex Corporation, Molex and Sigma-Aldrich.



### FINANCIAL SERVICES

Banks and insurance companies are offering a greater number of products and services and relying more on technical innovation to succeed. Nasdaq lists 57% of all U.S. publicly traded financial companies, including Fifth Third Bank, Zions Bancorporation, Cincinnati Financial, SouthTrust Corporation and T. Rowe Price.



### ENERGY, TRANSPORTATION & UTILITIES

Satisfying the ever-growing demand for connectivity requires today's energy exploration, power generation and transportation companies to respond to consumer needs with new and better ideas. Nasdaq-listed companies in these sectors that have used innovative technology to foster greater efficiencies in their products and services include Patterson-UTI Energy, FuelCell Energy, Northwest Airlines and Yellow Corp.

*If Nasdaq-listed companies are the heart of our business, then technology is our soul. Nasdaq's market platform has long been known as a marvel of technology—an open architecture system with the capacity to serve thousands of market participants worldwide.*

## The Power of Technology

Designed to deliver a host of benefits that are vital to both investors and intermediaries, it is this system that defines Nasdaq, ensures its reliability, and provides it with its key competitive advantage—the scalability to build the world's first truly global securities market. Here's why:

### INCLUSIVENESS

Nasdaq is the world's largest subscriber network—connecting 11,000 traders in 790 firms and more than 1,000 locations. More than 1.2 million users in 83 countries have access to screens displaying Nasdaq data.

### SPEED

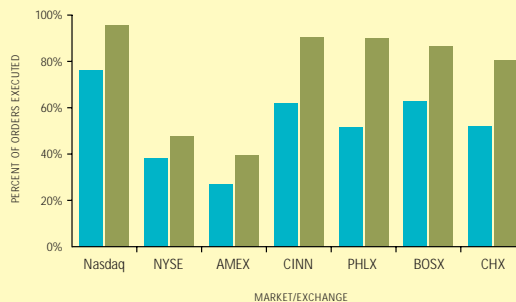
Nasdaq is the world's fastest stock market in terms of both order confirmation and order execution. On Nasdaq, market participants can enter their orders and gain confirmation in just over 1/5th of a second. And when it comes to order execution, more than 76% of all market orders in Nasdaq stocks—and nearly 96% of all small-sized market orders (100-499 shares) in Nasdaq stocks—are executed in 0-9 seconds.\* Market orders in Nasdaq stocks execute at twice the rate of similar-sized NYSE market orders.

\*As of 12/01: SEC Rule 11Ac1-5 reports, Market Systems, Inc. Market orders reported under SEC's Rule 11Ac1-5 include covered orders of 10,000 shares or less.

#### Order Execution Speed: Market Orders Executed Within 0-9 Seconds

All Sizes  
100-499 Shares

Source: SEC 11Ac1-5 Reports  
As of 12/01





Nasdaq systems routinely handle over 5,000 transactions per second.....On a typical day, Nasdaq disseminates 6.5 million quotes, 2.5 million trades and 1.5 million orders.....



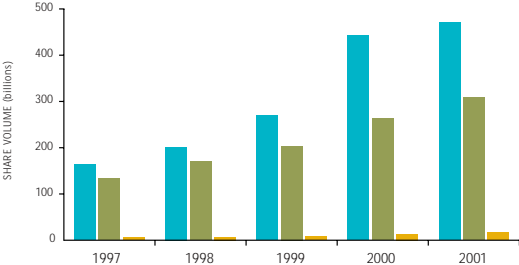
L-R: Karen Peterson, Associate Vice President, Nasdaq Transaction Services; Kevin Carrai, Associate Vice President, Nasdaq Transaction Services; Yek Eng, Associate Vice President, Nasdaq Transaction Services

**CAPACITY**

Nasdaq has the greatest capacity of any stock market in the world and is sized to routinely handle more than four billion shares daily. In 2001, Nasdaq handled 471.2 billion shares, more share volume than all other major U.S. stock markets combined.

Annual Share Volume

- Nasdaq
- NYSE
- Amex



Source: Nasdaq Economic Research  
As of 12/31/01

**TRANSPARENCY**

Only on Nasdaq do market participants have equal ability to both see and execute against buy and sell orders at multiple price levels. Nasdaq's open market structure helps foster transparency that will be enhanced further this summer with the introduction of SuperMontage.

**RELIABILITY**

Nasdaq's systems and services have demonstrated exceptional reliability—with a market-wide uptime of 99.98% over the past two decades. Our dispersed market model makes us less susceptible to disruptive events—and proved its reliability in the aftermath of September 11th. At no time during the disaster were Nasdaq's systems inoperative; we closed for four days as a result of the effect the events had on member firms and to assure that they would be in a position to respond to customer needs once markets reopened.

**LIQUIDITY**

Research suggests that more stock can be bought or sold on Nasdaq with less of an impact on price than on other U.S. markets.\*

\* Based on the December 2001 Amivest liquidity ratio for companies with a dollar value of float greater than \$100 million. The Amivest liquidity ratio measures the amount of dollar volume of trading associated with a one percent change in price over a twenty-day period. Source: FactSet Research Systems, Inc. Includes all common domestic stocks on Nasdaq National Market and the NYSE.

.....Nasdaq is the first and only stock market to achieve ISO 9001: 2000 certification.....Confirmation of an average Nasdaq transaction takes two-tenths of a second—round trip.....

## A Passion for Innovation: SuperMontage

*Nasdaq's most dramatic innovation to date will come this summer with the introduction of SuperMontage, Nasdaq's next-generation market platform. It represents a quantum leap in market transparency, access to liquidity and trading environment stability.*

*SuperMontage follows on the heels of two important innovations in 2001—SuperSoes, which greatly enhances execution speed, and the Primex Auction System, which aids in price improvement and brings order exposure functionality to Nasdaq. SuperMontage incorporates both of these features and does much more. It addresses the pressing market issues of fragmentation; it allows greater choice in achieving best execution; and, above all, it significantly enhances market transparency.*

#### FOCUS ON THE CUSTOMER

We have worked hard to build technology that supports the transaction services we provide to customers—services that allow market participants to quickly and easily trade Nasdaq securities, connect to the Nasdaq system and fulfill regulatory obligations such as trade reporting. The investments we have made in technology have been well worth it, allowing us to fine-tune the efficiency, transparency and speed of our systems in preparation for SuperMontage.

In the face of an increasingly competitive landscape, however, we know that our customers have a choice. As part of our commitment to continuously improving Nasdaq, we have pledged a renewed focus on customer service. By forming client help teams dedicated to swiftly identifying and solving customer problems, we have already taken action to help our customers succeed and make Nasdaq a better place to trade.

.....Nasdaq market data is distributed to over half a million industry professionals and millions of investors.....In 2001, Nasdaq daily share volume averaged 1.9 billion.....

*At the core of SuperMontage is a new central display montage from which participants can, for the first time, enter multiple levels of trading interest. SuperMontage is the first stock market platform that:*

- »» *Integrates a public limit order book and market maker quotations.*
- »» *Allows market makers and ECNs to enter multiple quotes at single or multiple price levels.*
- »» *Displays orders either anonymously or by name.*
- »» *Shows aggregate investor buy and sell interest five levels deep.*
- »» *Time-stamps individual orders to preserve position and priority.*

*These SuperMontage features add up to a fairer, more level playing field for all market participants, reflecting a commitment to continuous improvement that is deeply ingrained in Nasdaq's culture.*

*Why do we consider Nasdaq data to be more than a mere by-product of our trading activity? Because information is what empowers investors to make informed decisions. It is what empowers companies to manage investor relationships more effectively. In short, information is the most important currency in any stock market.*

Nasdaq sends data to 400,000+ terminals worldwide

## The Power of Information

Access per month for Nasdaq real-time data costs an...

The image shows a woman, Adena Friedman, standing in front of a large screen displaying the Nasdaq Trader website. The screen shows various market data and a table with columns for Volume, Trade Count, and Average Trade Size. The table data is as follows:

Volume	Trade Count	Average Trade Size
157,170	20	2,167
107,500	10	804
148,129,133	68	1,513
	13	1,001
	11	1,854

Adena Friedman, Executive Vice President, Data Products



And top quality information is most in demand. Nasdaq data, distributed through a network of 160 direct data distributors, is seen on more than 400,000 terminals worldwide—and Nasdaq is committed to delivering the highest quality data available. Moreover, we have worked steadily to increase the value of our data, from efficiency-enhancing changes we have made to our market—to pricing initiatives we have implemented to make sure that Nasdaq data is affordable for all investors.

What distinguishes Nasdaq among other U.S. stock markets is our ability to provide varying levels of detail according to the needs of individual users and their customers. We not only provide subscribers with the current inside quote for a security and the most recent price at which it was last bought or sold, but through Nasdaq Level II (*to be renamed Nasdaq QuoteView<sup>SM</sup>*), we also provide the quotes of each individual market maker and ECN—thereby allowing all market participants not only to see market activity but to execute against it, as well.

.....individual investor less than an ATM transaction.....Data fees are capped at \$1 per month per user.....Nasdaq data reaches all workstations in 500-milliseconds or less.....

Meanwhile, we are responding to the growing need for enhanced market information with an array of new systems and new data that will help investors and participants see deeper into the market. With the forthcoming launch of SuperMontage, Nasdaq plans to offer two unprecedented new data products:

**NASDAQ DEPTHVIEW<sup>SM</sup>**, which will provide the aggregated size of all quotes and orders in SuperMontage at each of the top five price levels for both bids and offers.

**NASDAQ TOTALVIEW<sup>SM</sup>**, which will offer, in addition to DepthView and QuoteView data, important detailed data—attributed specific quotes and orders at each of a stock's top five price levels and the aggregate size of all anonymous quotes and orders at each of the top five price levels.

Nasdaq's open market structure, our cutting-edge technology and our well-regulated marketplace contribute to our ability to provide listed companies, investors and other market participants with reliable, accurate, timely market information that adds value for each customer—another reflection of Nasdaq's commitment to market transparency and to the integrity of our market.

*Nasdaq has fast become a leading innovator among U.S. stock markets in creating and marketing branded financial products—giving investors new investment options while lending visibility, liquidity and stability to our listed stocks.*

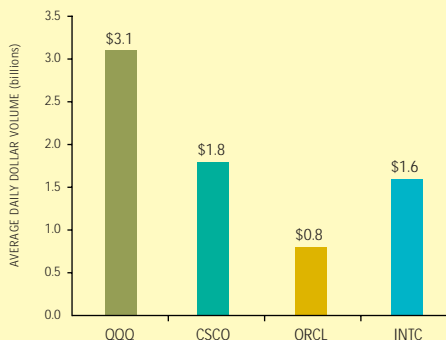
## The Power of Innovation

The QQQ Trust is a top institutional holder of most Nasdaq-100 stocks..... QQQ assets total over \$20 billion.....

### THE POWER OF Q

First introduced on March 10, 1999, The Nasdaq-100 Index Tracking Stock (QQQ) has attracted nearly \$22 billion in total assets—with more than 555,000,000 shares outstanding by the end of 2001. In 2001, QQQ was the most actively traded stock in the U.S. in terms of average daily dollar volume—over \$3 billion—and traded more than 70 million shares per day.

#### Average Daily Dollar Volume in 2001



Source: FactSet Research Systems, Inc.  
As of 12/31/01

Designed to track the performance of companies included in the Nasdaq-100 Index®, QQQ consists of Nasdaq's 100 largest non-financial companies. For many of these companies, QQQ is a top institutional shareholder representing thousands of long-term investors. For investors, QQQ represents a ready-made portfolio of ownership in today's industry-defining companies—offering the advantages of instant diversification and trading as a highly liquid security, rather than a mutual fund.

Since we introduced QQQ to the U.S. in 1999, the impact of its increasing popularity has been felt worldwide. We have now licensed more than 150 other global investment products and instruments—including options,



.....QQQ trades over 70 million shares per trading day.....QQQ is the world's most actively traded ETF.....30 domestic and international funds link to the Nasdaq-100 Index.....



futures and traditional mutual funds—that have been created based on the performance of the Nasdaq-100 Index. In addition, we have filed with the Central Bank of Ireland to launch a Nasdaq-100 European ETF to be listed on Nasdaq Europe. And we are closely monitoring the evolving securities and tax legislation in Japan to determine the appropriate time to introduce QQQ into the Japanese market through Nasdaq Japan.

#### BIOTECH BENCHMARK

In 2001, Nasdaq teamed up with Barclays Global Investors, N.A., manager of the world's largest selection of ETFs, to launch the iShares Nasdaq Biotechnology Index Fund. Traded under the symbol IBB, the fund is designed to track the Nasdaq Biotechnology Index<sup>®</sup>, which includes companies engaged primarily in biomedical research. Following the Nasdaq-100 Index model, we are planning to introduce additional financial products based on this index in 2002, including traditional funds, options, futures and structured products.

#### THE GOAL: NASDAQ-LISTED ETFs

Financial products is one of our fastest-growing business lines—and we expect a lot from this area in 2002. In the works are plans to introduce financial products on both Nasdaq-branded and co-branded indices such as the Nasdaq Composite Index and the KLD Nasdaq<sup>®</sup> Social Index<sup>SM</sup>. Other exciting opportunities for us will be the chance to list ETFs on Nasdaq itself—both Nasdaq-branded and those issued by other financial institutions—and to continue to increase our market share of direct listings of structured financial products.

We're proud of how quickly we've been able to expand Nasdaq's portfolio of financial products. And we're pleased with the fact that in addition to giving investors new ways to diversify their investments, they lend visibility and stability to our listed companies—helping them achieve a broader, more diverse shareholder base.

*Nasdaq is on its way to becoming the first truly global stock market—and we're already leaving our electronic footprints around the globe. Because 80% of global capital market activity is in Europe, Japan and North America, we are focusing our initial efforts at globalization in these regions—while developing important ties in Asia and elsewhere. Our approach is to help develop and consolidate vibrant local markets in these regions that we can eventually meld into a globally networked marketplace, accessible 24 hours a day from anywhere in the world.*

## The Power of Globalization

*Nasdaq is the only U.S. market expanding its platform to Europe, Asia and Canada.....Nasdaq's electronic market.....*



*Far left: Al Berkeley, Nasdaq Vice Chairman, lighting the traditional lamp at the inauguration of Nasdaq's office in Bangalore, India.*

**NASDAQ EUROPE**

In June 2001, we opened Nasdaq Europe—a strategic first step in implementing our global strategy in Europe. Our mission is to develop Nasdaq Europe as a major trading venue for both U.S. and European stocks, and have it emerge as the IPO market of choice. In November, we announced a groundbreaking partnership between Nasdaq Europe and the Berlin Stock Exchange that puts us in a stronger position to offer German investors more and potentially lower cost trading opportunities. In cooperation with The Depository Trust & Clearing Corporation (DTCC), we also introduced an efficient, transparent and low-cost clearing and settlement mechanism for Nasdaq Europe.

**NASDAQ JAPAN**

Nasdaq Japan, launched in mid-2000, represents a new vision for Japanese investors: a dealer market combined with a voluntary order book. In 2003, Nasdaq Japan expects to introduce a new SuperMontage trading system—and we believe that Nasdaq’s success with IPOs and our record of building awareness for newly issued equities continue to gain increased acceptance in Japan. Nasdaq Japan has had more than 88 initial public offerings—

.....model is the most widely imitated in the world.....Internationally, only three exchanges have retained a physical trading floor.....nasdaq.com receives over 7.5.....

26% of all Japanese IPOs during the period with market capitalization of ¥5 billion or more.

**NASDAQ CANADA**

Launched in late 2000, Nasdaq Canada<sup>SM</sup> is another step forward for Nasdaq’s global outreach—one that supports trading of U.S. and Canadian securities. Nasdaq Canada offers access to the U.S. market, provides increased liquidity and offers a greater range of choice to Canadian investors.

**NASDAQ IN ASIA**

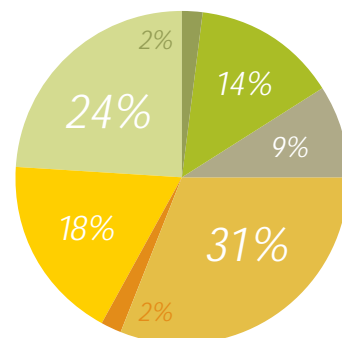
During 2001, we opened new representative offices in Bangalore and Shanghai—designed for educational purposes and to enhance our services for Nasdaq-listed companies in India and mainland China. We believe that Nasdaq can play a key role in attracting global capital to qualified Asian companies.

**NASDAQ ALLIANCES**

In 2001 we also formed NQLX, a joint venture with the London International Financial Futures Exchange (LIFFE)—one of the world’s leading electronic derivatives exchanges. Through this partnership, we intend to develop a market for single stock futures and other futures products.

Non-U.S. Nasdaq-Listed Companies by Region  
Number of Non-U.S. Nasdaq-Listed Companies by Region

- Africa (7)
- Asia (62)
- Caribbean (41)
- Europe (138)
- Latin America (11)
- Middle East (79)
- North America (109)



Source: Nasdaq Economic Research  
As of 12/31/01

*Integral to making this dynamic enterprise work—key to our technology, our listings efforts and the strength of our brand—are our Nasdaq employees. Located in Nasdaq offices all over the world, from the U.S. and Europe to Asia and South America, they deliver for Nasdaq every single day.*

*Our people are Nasdaq. And the success of which we are so proud is truly theirs.*

.....million page views per day—30% are international visitors **The Power of Nasdaq** Nasdaq was founded in 1971.....This is our first annual report.

#### NASDAQ MANIFESTO

We believe in the spirit of competition. We believe in greater access to available capital. We believe in freedom and liquidity for all. We believe in increased visibility for our companies in the marketplace. We believe in the visionary. And the multinational corporations who continue to think like one.

We believe in continually challenging the very definition of what a stock market is. And what it can be. We believe in connecting investors and companies from all over the world. We believe our liquidity speaks volumes. We believe in insanely great ideas. And the lunatics that come along with them.

We believe in companies being free to switch exchanges if they so choose. We believe in healthy competition among market makers. We believe in fair trade and open markets. We believe in being the engine that drives new ideas, new businesses and new opportunities. We believe that two guys in a garage can change the world. And that 20,000 men and women in a corporate office park can, too.

We believe that the companies that will change the world in the 21st century are listed on the same market as the companies that changed the world in the latter half of the 20th. We believe in the first truly global securities market. We believe that revolutionary thinking makes the world go round. So why not offer the world to revolutionary thinkers?

Nasdaq. We believe the next great idea couldn't happen anywhere else.



*L-R: Christine Pfeiffer, Vice President, Office of the Chairman;  
Joseph Spak, Business Analyst Specialist, Nasdaq Administration;  
Judith Inosanto, Associate Director, Nasdaq Media Relations;  
Gene McCarthy, Business Analyst, MarketSite Administration*

*In 2001-2002, Nasdaq hosted a variety of events—including market broadcasts, market open ceremonies and new listing and IPO announcements—celebrating the energy and spirit of today's business leaders and newsmakers. These are the kinds of exciting events that happen at Nasdaq's MarketSite in Times Square every day.*

*Right: Teresa Witherspoon, Team Captain & Guard, New York Liberty, with David Warren, Nasdaq EVP & CFO, and Denise Benou Stires, Nasdaq EVP, Marketing & Investor Services*



*Rick Ketchum, Nasdaq President & Deputy Chairman, with the Salt Lake Olympic Committee and New York Olympic Torch Relay Runners*



*Above: Meg Whitman, CEO, eBay Inc.*

*Right: Michael Jackson opens The Nasdaq Stock Market with David Weild, Nasdaq Vice Chairman & EVP, Corporate Client Group, and Wick Simmons, Nasdaq Chairman & CEO*



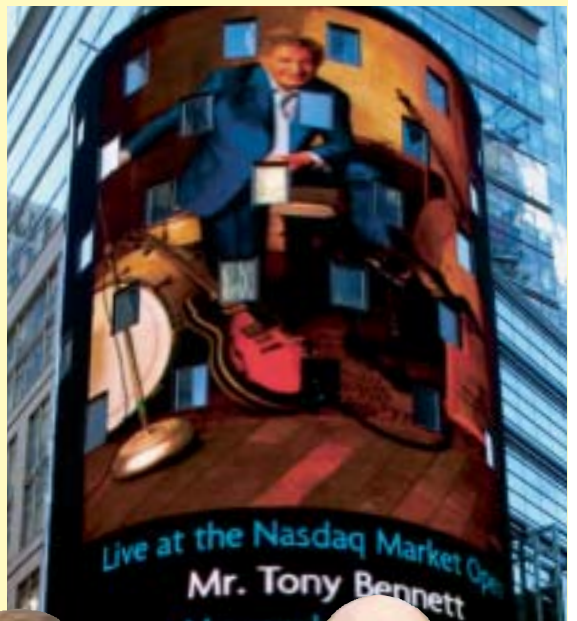


L-R: Earl "Butch" Bucholz, Martina Navratilova, Rod Laver and Wick Simmons, Nasdaq Chairman & CEO, announce Nasdaq's title sponsorship of the Nasdaq-100 Open Tennis Tournament



Left: Clifford the Big Red Dog (Scholastic, Inc.) celebrates Valentine's Day at the Nasdaq MarketSite in Times Square

Below: Tony Bennett, legendary performer, opened The Nasdaq Stock Market in November 2001



Above: Mayor Rudolph Giuliani and New York Paramedics

Right: Gary Bettman, NHL Commissioner; Brian Mullen, former NY Ranger; and Greater NYC Ice Hockey Players



Right: Dr. Larry Hawk, President & CEO, The ASPCA, with David Weild, Nasdaq Vice Chairman & EVP, Corporate Client Group



Bill Gates, Microsoft Chairman and Chief Software Architect, with Steve Randich, Nasdaq EVP & CIO



## GUIDING PRINCIPLES OF THE NASDAQ STOCK MARKET

WE BELIEVE that complete and accurate information is required for the capital markets to efficiently allocate capital to uses that meet investors' risk profiles and increase overall productivity and wealth. Our economic system is founded on this process.

WE BELIEVE it is critical that in the U.S., standardized measurement of financial condition and performance information is based on Generally Accepted Accounting Principles. The purpose of GAAP is to present fairly the financial condition of a company, presenting revenues and expenses in the same time period to accurately calculate earnings, cash flow and other measures of performance. Properly applied, GAAP allows investors to determine how productively their capital has been employed.

WE BELIEVE that responsibility for providing complete and accurate information to investors rests with management, attested to by independent auditors and reviewed by the Board of Directors, supported by a knowledgeable Audit Committee. All four share a fiduciary obligation to investors to provide an accurate overall representation of performance, financial condition and risk in the relevant time period.

WE BELIEVE the active management of quarterly earnings and obfuscation of risks and liabilities can lead to a slippery slope of overstatement of performance and understatement of risk. Security price volatility and loss of investor confidence is the inevitable result.

WE BELIEVE that all market participants are responsible to investors to provide an objective perspective. Conflicts of interest should be disclosed.

WE BELIEVE that the markets will reward companies that best explain their past and anticipated performance. Surprise is anathema. We need to assure the investor that financial statements accurately depict past performance, matching revenues and expenses in each reporting period. Additionally, we need to consider providing investors with information on important non-financial value drivers and the intangible assets that are the basis of future financial performance.

WE BELIEVE that the Securities and Exchange Commission (SEC) must be well funded if it is to continue its critical role in developing and enforcing our securities laws and regulations. Stock markets must work diligently with the SEC to maintain the integrity of their markets and to protect the public interest.

WE BELIEVE that corporate ethics take root in the corner office and with the Board of Directors. It is better to lead companies than to manage earnings. Ultimately, it is all about character.

*We at Nasdaq are committed to this process and expect it of our companies. All of us have the responsibility to make our system work.*



Hardwick Simmons  
Chairman and Chief Executive Officer  
The Nasdaq Stock Market, Inc.



Richard G. Ketchum  
President and Deputy Chairman  
The Nasdaq Stock Market, Inc.



Michael W. Clark  
Managing Director and Head  
of Global Equity Trading  
Credit Suisse First Boston



William S. Cohen  
Chairman and CEO  
The Cohen Group



Kenneth D. Pasternak  
Retired, Chairman and  
Chief Executive Officer  
Knight Trading Group, Inc.



David S. Pottruck  
President and Co-Chief Executive Officer  
The Charles Schwab Corporation



Josef Ackermann  
Chairman, Corporate and  
Investment Banking  
Deutsche Bank AG



H. Furlong Baldwin  
Chairman  
Mercantile Bankshares Corporation



Frank E. Baxter  
Chairman Emeritus  
Jefferies Group, Inc.



Michael Casey  
Executive Vice President,  
Chief Financial Officer and Chief  
Administrative Officer  
Starbucks Corporation



F. Warren Hellman  
Chairman  
Hellman & Friedman LLC



John D. Markese  
President  
American Association of  
Individual Investors



E. Stanley O'Neal  
President and Chief Operating Officer  
Merrill Lynch & Co., Inc.



Vikram S. Pandit  
Co-President and  
Chief Operating Officer  
Morgan Stanley



Arthur Rock  
Principal  
Arthur Rock & Co.



Richard C. Romano  
President  
Romano Brothers & Co.



Arvind Sodhani  
Vice President and Treasurer  
Intel Corporation



Martin S. Sorrell  
Group Chief Executive and Director  
WPP Group USA, Inc.

## EXECUTIVE OFFICERS

**Hardwick Simmons**  
Chairman and Chief Executive Officer

**Richard G. Ketchum**  
President and Deputy Chairman

**Alfred R. Berkeley, III**  
Vice Chairman

**Adena T. Friedman**  
Executive Vice President, Data Products

**Steven Dean Furbush**  
Executive Vice President, Transaction Services

**William R. Harts**  
Executive Vice President, Corporate Strategy

**John L. Hilley**  
Executive Vice President and Chairman and Chief Executive Officer, Nasdaq International

**Edward S. Knight**  
Executive Vice President and General Counsel

**Steven Randich**  
Executive Vice President, Operations & Technology and Chief Information Officer

**Denise Benou Stires**  
Executive Vice President, Marketing and Investor Services

**John T. Wall**  
President, Nasdaq International

**David P. Warren**  
Executive Vice President and Chief Financial Officer

**David Weild IV**  
Vice Chairman and Executive Vice President, Corporate Client Group

## SHAREHOLDER INFORMATION

The annual meeting will be held on Wednesday, May 22, 2002, at 10:00 a.m. at the Nasdaq MarketSite in Times Square. The address is 4 Times Square, New York, New York 10036.

**INVESTOR INFORMATION**  
Nasdaq's home page on the World Wide Web is at [www.nasdaq.com](http://www.nasdaq.com).

Shareholders are advised to review financial information and other disclosure about Nasdaq contained in its Form 10-K. Investor information, including the Annual Report, Form 10-K, Form 10-Q, Proxy Statement and other periodic SEC updates, as well as press releases and earnings announcements can be accessed directly from our Web site at [www.nasdaq.com/investorrelations/annual\\_report\\_2001.stm](http://www.nasdaq.com/investorrelations/annual_report_2001.stm).

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**By phone:** (646) 441-5261  
**By mail:** Nasdaq Investor Relations,  
4 Times Square, New York, New York 10036

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#### Asia

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Karnataka, India

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The matters described herein may contain forward-looking statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks, uncertainties or other factors beyond the control of The Nasdaq Stock Market, Inc. (the "Company"), which could cause actual results to differ materially from historical results, performance or other expectations and from any opinions or statements expressed or implied with respect to future periods. These factors include, but are not limited to, the Company's ability to implement its strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors detailed in the Company's registration statement on Form 10, as amended, and periodic reports filed with the U.S. Securities and Exchange Commission. We undertake no obligation to release any revisions to any forward-looking statements.